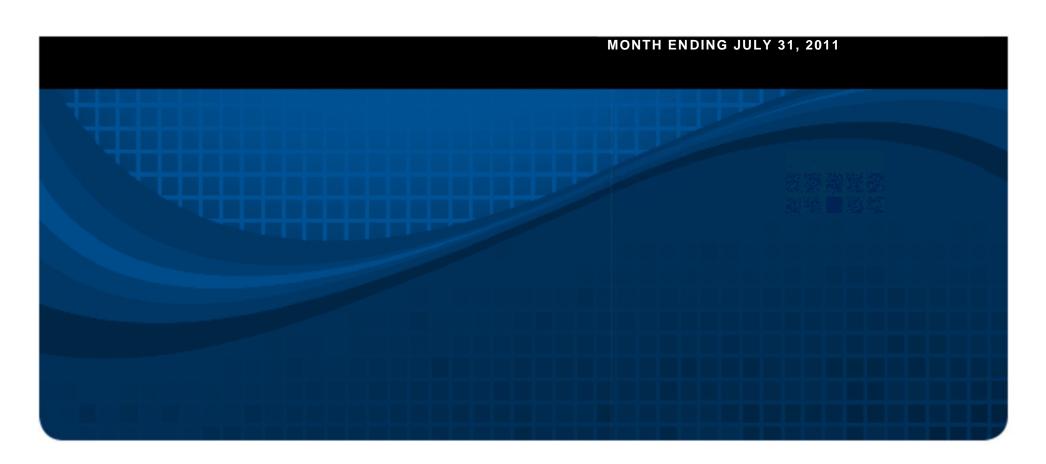
# **CalPERS**

Total Fund Monthly Update



#### Section I: Asset Allocation and Risk

Asset Allocation and Unfunded Commitments

Top 20 Exposures: Public Markets

Total Fund Risk Profile

#### **Section II: Investment Performance**

**Net Performance Summary** 

Net Performance vs. Expected Returns

# **Section III: Investment Policy and Compliance**

**Policy Violations** 

Significant Events

Disclosure of Closed Session Action Items

#### **Section IV: Investment Transactions**

Items Completed Under Delegated Authority Summary

Disclosure of Placement Agent Fees

**Investment Transactions Summary** 

**Investment Proposal Activity Summary** 

## **Section V: Affiliate and Other Funds**

Risk Profile

**Net Performance Summary** 

Policy Violations and Significant Events

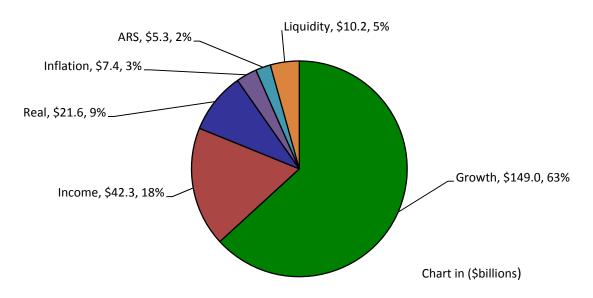
**Investment Transactions Summary** 



Asset Allocation and Risk



# Asset Allocation and Unfunded Commitments (as of July 31, 2011)



Asset Allocation as of July 31, 2011											
	Growth	Public	Private	Income	Liquidity	Real	Real	Forestland/	Inflation	ARS	Total
		Equity 1	Equity 1				Estate	Infrastructure			Fund
Strategic Target Range %	56-70%	42-56%	10-18%	11-21%	1-7%	8-18%	7-13%	1-5%	1-7%		
Interim Strategic Target %	64%	50%	14%	19%	4%	10%	8%	2%	3%	N/A	N/A
Actual Investment %	63%	49%	14%	18%	4%	9%	8%	1%	3%	2%	N/A
Variance % (Strategic vs. Actual)	(1%)	(1%)	0%	(1%)	0%	(1%)	(0%)	(1%)	0%	N/A	N/A
Interim Strategic Target (\$billions)	\$150.9	\$117.9	\$33.0	\$44.8	\$9.4	\$23.6	\$18.9	\$4.7	\$7.1	N/A	\$235.8
Actual Investment (\$billions)	\$149.0	\$115.8	\$33.2	\$42.3	\$10.2	\$21.6	\$18.7	\$2.9	\$7.4	\$5.3	\$235.8
Variance \$(Interim Strategic vs. Actual) (\$billio	(\$1.9)	(\$2.1)	\$0.2	(\$2.5)	\$0.8	(\$2.0)	(\$0.2)	(\$1.8)	\$0.3	N/A	N/A
% Passive	55%	71%	0%	0%	0%	6%	7%	0%	0%	0%	35%
% Active	45%	29%	100%	100%	100%	94%	93%	100%	100%	100%	65%
% Internal	63%	81%	0%	89%	100%	7%	8%	0%	100%	0%	64%
% External	37%	19%	100%	11%	0%	93%	92%	100%	0%	100%	36%

<sup>&</sup>lt;sup>1</sup> Equity overlay and lending income are included in International Equity, undistributed lending income is included in Global Equity, currency overlay funds are included in Liquidity and the Global Equity Cash Account is included in Domestic Equity and Domestic Fixed Income Transition Account is included in Domestic Fixed Income.
<sup>2</sup> Interim strategic targets adopted by Board at the August 17th. 2011 Investment Committee meeting

Unfunded Market Commitments as of July 31, 2011										
	Private Equity		Real Estate		Infrastructure		Infrastructure Forestland Corporate Govern		Governance	
			(as of May 31, 2011)		(as of May 31, 2011)		(as of May 31, 2011)			
Funded	\$(in Billions)	% Allocation	\$(in Billions)	% Allocation	\$(in Billions)	% Allocation	\$(in Billions)	% Allocation	\$(in Billions)	% Allocation
Fair Market Value (FMV)	\$33.2	14%	\$18.7	8%	\$.6	0%	\$2.3	1%	\$5.1	2%
Unfunded Commitment (UC)	<u>\$15.2</u>	<u>6%</u>	<u>\$7.3</u>	<u>3%</u>	<u>\$.4</u>	<u>0%</u>	<u>\$.0</u>	<u>0%</u>	<u>\$.5</u>	<u>0%</u>
FMV + UC	\$48.4	21%	\$26.0	11%	\$1.0	0%	\$2.3	1%	\$5.6	2%

**Top 20 Exposures: Public Markets** (as of July 31, 2011)

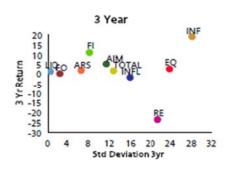
	Company Name	Total Global Equity <sup>2</sup>	Total Fixed Income <sup>3</sup>	Total Market Value	Total % of Total Fund
1	EXXON MOBIL CORP	\$1146.0	\$0.0	\$1146.0	0.49%
2	APPLE INC	\$1003.0	\$0.0	\$1003.0	0.43%
3	GENERAL ELECTRIC CO	\$550.0	\$273.6	\$823.6	0.35%
4	AT+T INC	\$513.7	\$184.0	\$697.7	0.30%
5	MICROSOFT CORP	\$670.1	\$0.0	\$670.1	0.28%
6	NESTLE SA REG	\$659.5	\$0.0	\$659.5	0.28%
7	JPMORGAN CHASE + CO	\$468.4	\$174.9	\$643.3	0.27%
8	HSBC HOLDINGS PLC	\$487.3	\$141.5	\$628.8	0.27%
9	INTL BUSINESS MACHINES CORP	\$601.1	\$0.0	\$601.1	0.25%
10	CHEVRON CORP	\$594.6	\$0.0	\$594.6	0.25%
11	WELLS FARGO + CO	\$426.3	\$152.1	\$578.4	0.25%
12	PFIZER INC	\$441.9	\$67.8	\$509.7	0.22%
13	JOHNSON + JOHNSON	\$501.2	\$0.0	\$501.2	0.21%
14	CITIGROUP INC	\$331.2	\$169.8	\$501.0	0.21%
15	VODAFONE GROUP PLC	\$441.8	\$58.9	\$500.8	0.21%
16	WAL MART STORES INC	\$378.6	\$102.4	\$481.0	0.20%
17	PROCTER + GAMBLE CO/THE	\$479.1	\$0.0	\$479.1	0.20%
18	BANK OF AMERICA CORP	\$292.2	\$180.0	\$472.2	0.20%
19	BP PLC	\$458.8	\$0.0	\$458.8	0.19%
20	BHP BILLITON LTD	\$433.2	\$0.0	\$433.2	0.18%

<sup>&</sup>lt;sup>1</sup> Only includes Global Equity & Fixed Income assets custodied with master custodian <sup>2</sup> Source for Global Equity values: State Street Bank

<sup>&</sup>lt;sup>3</sup> Source for Global Fixed Income values: Blackrock Solutions

# Total Fund Risk Profile (as of July 31, 2011)

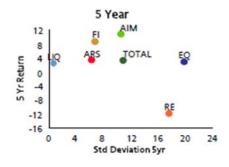
# 3 Year Risk Profile



#### TRACKING ERROR

	Excess Return (%)	Tracking Error	Information Ratio
TOTAL FUND	-3.61	3.76	-0.96
PUBLIC EQUITY	-1.02	1.30	-0.79
INCOME	1.53	4.16	0.37
PRIVATE EQUITY	-8.48	15.18	-0.56
REAL ESTATE	-23.09	17.67	-1.31
LIQUIDITY	-0.10	0.19	-0.53
INFLATION	-2.01	4.25	-0.47
ABSOLUTE RETURN STRATEGY	-5.01	7.14	-0.70
FORESTLAND	-0.27	4.59	-0.06
INFRASTRUCTURE	13.63	28.35	0.48

## 5 Year Risk Profile

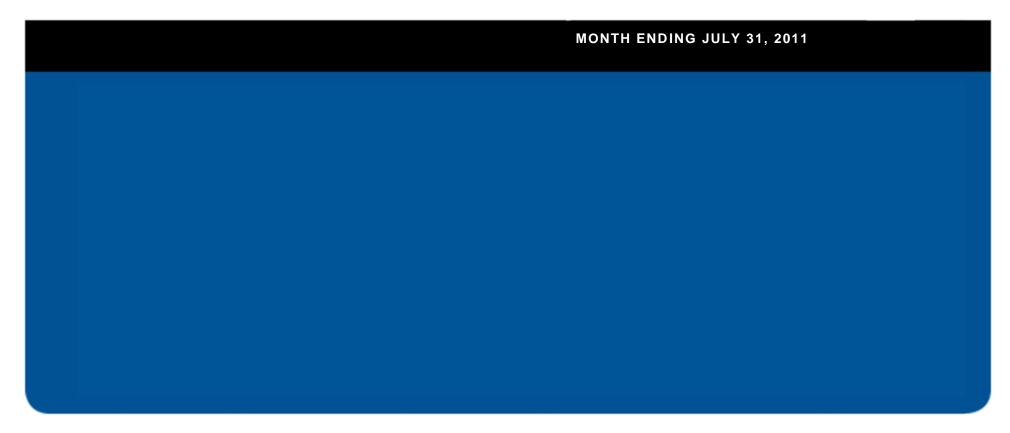


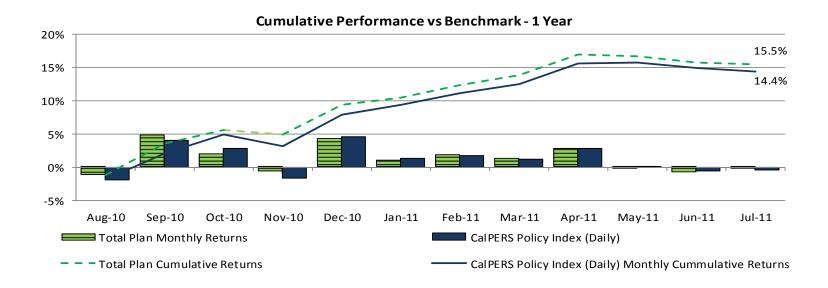
#### TRACKING ERROR

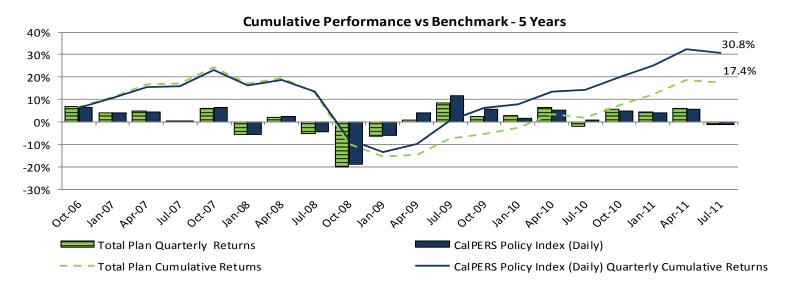
	Excess Return (%)	Tracking Error	Information Ratio
TOTAL FUND	-2.27	3.00	-0.76
PUBLIC EQUITY	-0.86	1.06	-0.81
INCOME	0.63	3.26	0.19
PRIVATE EQUITY	-3.43	13.00	-0.26
REAL ESTATE	-17.32	14.15	-1.22
LIQUIDITY	-0.01	0.16	-0.08
INFLATION			
ABSOLUTE RETURN STRATEGY	-4.67	6.84	-0.68
FORESTLAND			
INFRASTRUCTURE			

Excess Return - The difference between the portfolio return and the index return for the given period Tracking Error - Standard deviation of the Excess Return Information Ratio - Excess Return divided by the Tracking Error









# **Net Performance Summary** (as of July 31, 2011)

			1 M	lonth	F`	YTD	1	Yr	;	3 Yr	į	5 Yr	1	0 Yr
TOTAL FUND SUMMARY	Ending Market Value (\$millions)	% of Total Assets	Fund Rate of Return	Excess Return in Bps	Fund Rate of Return	Excess Return in Bps	Fund Rate of Return	Excess Return in Bps	Fund Rate of Return	Excess Return in Bps	Fund Rate of Return	Excess Return in Bps	Fund Rate of Return	Excess Return in Bps
GROWTH PUBLIC EQUITY PRIVATE EQUITY	149,041 115,823 33,219	63.2 49.1 14.1	(1.2) (1.7) 0.7	61 5 265	(1.2) (1.7) 0.7	61 5 265	20.7 19.5 25.3	290 105 986	2.4 2.2 4.9	(102)	3.8 2.9 10.7	(149) (86) (343)	5.2 4.8 8.6	(47) (30) 37
INCOME	42,223	17.9	2.6	(30)	2.6	(30)	7.9	1,492	10.6	154	8.6	63	7.7	60
LIQUIDITY	10,500	4.5	1.3	(12)	1.3	(12)	1.2	(40)	0.9	(11)	2.5	(2)	2.5	13
REAL REAL ESTATE FORESTLAND INFRASTRUCTURE	21,574 18,651 2,287 637	9.1 7.9 1.0 0.3	0.0 0.0 0.0 0.0	(4) (2) (22)	0.0 0.0 0.0 0.0	(4) (2) (22)	8.9 9.5 (2.2) 42.2	(794) (912) (990) 4,131	(21.5) (23.9) (0.1) 18.7		(10.2) (12.0)	(1,604) (1,732)	2.9 1.9	(688) (658)
INFLATION COMMODITIES INFLATION LINKED BONDS	7,360 2,523 4,838	3.1 1.1 2.1	2.9 2.4 3.1	(17) (2) (13)	2.9 2.4 3.1	(17) (2) (13)	20.7 23.3 13.3	504 98 18	(2.1) (16.8) 5.6	74				
ABSOLUTE RETURN STRATEGY	5,333	2.3	0.6	24	0.6	62	6.6	105	1.5	(501)	3.4	(467)		
OVERLAY & TRANSITION ACCOUNTS	(198)	(0.1)												
TOTAL FUND	235,833	100.0	(0.2)	24	(0.2)	24	15.5	107	1.3	(361)	3.3	(226)	5.4	(85)

# **Total Fund Inception to Date Net Return:** 8.6%.

Inception date: 07/01/1988

Note: Returns for periods greater than one year are annualized.

# Net Performance vs. Long-Term Expected Returns (one year period ending July 31, 2011)

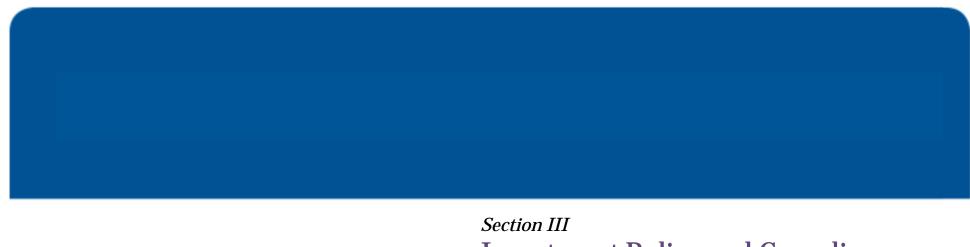
Asset Class	Actual One-year Net Allocation Asset Return		CalPERS Long-Term Expected Annual Return 1,2	Expected  Standard Deviation <sup>1,3</sup>	+/- One Standard <u>Deviation Range</u>		
Public Equity	(%) 49	(%) 19.5	(%) 7.75	(%) 16.00	(% (7.07)	- 24.93	
Private Equity	14	25.3	9.00	26.00		- 38.06	
Total Growth	63	20.7	3.00	20.00	(13.34)	- 30.00	
Income	18	7.9	3.75	6.50	(2.55)	- 10.45	
Real Estate	9	9.5	7.00	14.00	(6.09)	- 21.91	
Forestland	1	(2.2)	7.00	10.00	(2.53)	- 17.47	
Infrastructure	<u>o</u>	42.2	7.00	10.00	(2.53)	- 17.47	
Total Real	9	8.9					
Inflation Linked Bonds	2	23.3	3.50	6.00	(2.33)	- 9.67	
Commodities	<u>1</u>	13.3	5.00	21.00	(13.92)	- 28.08	
Total Inflation	3	20.7					
Absolute Return Strategy (ARS) 1	2	6.6					
Liquidity	4	1.2	3.25	6.20	(2.76)	- 9.64	
Total Fund	100	15.5	7.38	11.92	(3.88)	- 19.93	

<sup>&</sup>lt;sup>1</sup> Investment Committee Meeting December 2010 excluding ARS which was not forecasted. These are the capital markets assumptions used in the 2010 Strategic Asset Allocation Study.

<sup>&</sup>lt;sup>2</sup> Compound return

<sup>&</sup>lt;sup>3</sup> Standard Deviation is a measure of variability of returns around the expected average return. Returns are expected to be within minus one and plus one standard deviation 67% of the time, or two out of every three years.

Note: The Global Equity Transition Account is included in Domestic Equity, the Fixed Income Transition Account is included in Domestic Fixed Income, and the currency overlay funds are included in Liquidity for Asset Allocation purposes.



**Investment Policy and Compliance** 



# **Material Exceptions to Policy**

According to policy requirements, the following is a summary of investment policy violations as reported by the program areas.

The following program areas had no violations to report for the period:

- Public Equity
- Private Equity
- Forestland
- Absolute Return Strategies

The following program areas had violations to report for the period:

#### Real Estate

- The Investment Committee approved the Real Estate Policy effective June 15, 2009. The policy includes limits that have been reduced in a number of key areas. As a result of the reduced limits and market conditions that have resulted in market value declines, the portfolio is out-of-compliance with the policy in the areas listed below. The Real Estate Unit estimates the portfolio to be in full compliance with policy no later than December 2013.
- CalPERS' Opportunistic asset exposure was approximately 40.6% as of March 31, 2011, or 0.6 percentage point above the policy range of 10.0% to 40.0%. The amount above the policy range increased over the last quarter from 40.1% to 40.6%; and decreased over the last calendar year from 43.6% to 40.6%.

## o Real Estate (Cont.)

• CalPERS' Other property type exposure was approximately 15.1% as of March 31, 2011, or 5.1 percentage points above the policy limit of 10.0%. The variance is attributed to Other property type exposure being comprised largely of Mixed-Use properties at 5.7% of the total portfolio. Staff is evaluating options for classification of mixed-use properties. The amount above the policy range is unchanged over the last quarter, and decreased over the last calendar year from 16.2% to 15.1%.

#### Infrastructure\*

- US investments have a NAV of \$184.4 million. This amount represents 29% of the NAV of the Infrastructure portfolio, which is below the 40-70% policy range. Note, however, the amount is only 5% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment allocations within the portfolio are expected to move toward compliance with the policy range.
- OECD investments outside of the US have a NAV of \$451.1 million. This amount represents 71% of the NAV of the
  Infrastructure portfolio, which is above the 20-40% policy range. Note, however, the amount is only 13% of the
  Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment allocations
  within the portfolio are expected to move toward compliance with the policy range.
- Value-Added investments have a NAV of \$207.6 million. This amount represents 33% of the NAV of the Infrastructure
  portfolio, which is below the 40-70% policy range. Note, however, the amount is 6% of the Infrastructure Program asset
  allocation target. As the portfolio grows towards its allocation target, investment allocations within the portfolio are expected
  to move toward compliance with the policy range.

## Infrastructure (Cont.)

- Opportunistic investments have a NAV of \$296.3 million. This amount represents 47% of the NAV of the Infrastructure portfolio, which is above the 0-20% policy range. Note, however, the amount is only 8% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment allocations within the portfolio are expected to move toward compliance with the policy range.
- The \$300 million commitment to Alinda II represents 34% of our current commitments of \$870 million. This 34% is above the 25% limit of committed capital in any single investment in a partnership or fund. Note, however, the amount is only 9% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment commitments within the portfolio are expected to move toward compliance with the policy limit.
- \* Note: Under the new policy effective August 15, 2011, there are no reportable policy violations. Under Section V, F, 2: parameter requirements are not applicable when program NAV is below \$3.0 billion provided investment amounts on a dollar basis are within the target range.

#### Inflation

Inflation Linked Bonds had a policy violation due to holding currency outside of the benchmark.

- The portfolio policy prohibits the ownership of assets outside of the benchmark.
- On 6/30/11 the Japanese linker market was removed from the benchmark all bond positions were liquidated before June
  month end
- The portfolio received an interest payment of JPY 12,347 (approx. USD 162.00) on 8/1/11 from these liquidated securities.
- DIG notified us of the JPY position in the portfolio on 8/3/11.

## Inflation (Cont.)

Corrective measures:

- The currency was sold on 8/4/11. There are two processes in place to identify currency balances in the portfolio.
  - o 1. Compliance rules are in place to notify DIG of an unapproved currency holding.
  - o 2. Operations provides a currency balance report to PM/trading groups on a weekly basis to identify inflows.

#### Additional Facts:

• The JPY balance in ILB was due to the monthly interest payment from the JPY cash account. There was a JPY balance in the account during the latter part of June of JPY 2,096,680,000. All JPY holdings were liquidated on 6/30/11 for settlement on 7/5/11. The portfolio earned interest on those holdings until settlement date. The interest earned was paid at the end of July and appeared in Aladdin on 8/2/11. We were notified by DIG and the currency was sold.

## Liquidity

PERS Internal Short Term Portfolio (as of 08/10/11)

- Compliance Issue: Single A2/P2 w/ maturity >=7 days <=2%
  - o Progress Energy- 2.12%
  - o Spectra Energy- 2.08%
  - o VW Credit- 2.12%

The violations are due to the unanticipated cash decrease in SJ10 fund. Staff recommends holding the securities as they would all mature within the next 30 days.

## Liquidity (Cont.)

- In addition to the 3 issuers from 08/10/11, there are another 4 issuers above the 2% limit.
  - The updated list is as follows (as of 08/11/11):
    - o Progress Energy- 3.00%
    - Spectra Energy- 2.95%
    - VW Credit- 3.00%
    - o South Carolina Electric & Gas CO- 2.63% (back in compliance as of 08/19/11)
    - Sempra Energy Global Enterprises- 2.80%
    - o BMW US Capital LLC- 2.25% (back in compliance as of 08/12/11)
    - Kansas City Power & Light Company- 2.50% (back in compliance as of 08/15/11)

The violations are due to the unanticipated cash decrease in SJ10 fund. Staff recommends holding the securities as they would all mature within the next 30 days.

- Compliance Issue: Single A2/P2 Issuer <=4% (as of 08/11/11)
  - o Progress Energy- 4.73% (back in compliance as of 08/15/11)
  - o Sempra Energy Global Enterprises- 4.21% (back in compliance as of 08/15/11)

The additional violations are due to the further cash decrease in SJ10 Fund. Note that these are past purchases of term commercial papers that assumed a higher SJ10 NAV than what is showing currently. Staff recommends holding the securities as they would all mature within the next 30 days.

## **Significant Events**

## **Significant Events**

The following program areas had no significant events to report for the period:

- o Public Equity
- Private Equity
- o Real Estate
- Income
- Liquidity
- Forestland
- Absolute Return Strategies

The following program areas had significant events to report for the period:

#### o Infrastructure

The current quarter return of 37.4% and the one-year return of 42.2% for the Infrastructure Sector reflect a significant write-up of CIM Infrastructure Fund assets during the March 31, 2011 quarter. CIM Infrastructure Net Assets increased from \$111.9 Million (at December 31, 2010) to \$289.5 Million (at March 31, 2011). The increase in valuation is supported by appraisals conducted in the 1st quarter of 2011.

# **Disclosure of Closed Session Action Items**

Investment Committee Meeting	Agenda Item	Investment Committee Action	Vote
No items to report for period			

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